



Cinergy Corp.
139 East Fourth Street
Rm 25 AT II
P.O. Box 960
Cincinnati, OH 45201-0960
tel 513.287.3601
fax 513.287.3810
jfinnigan@cinergy.com

John J. Finnigan, Jr.
Senior Counsel

VIA HAND-DELIVERY

June 24, 2005

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JUN 24 2005

PUBLIC SERVICE
COMMISSION

Re: In the Matter of the Application of the Union Light, Heat and Power Company
Relating to the Sale of 7200 Industrial Road Construction/Maintenance Center
Building
Case No. 2005-00199

Dear Ms. O'Donnell:

I have enclosed an original and twelve copies of The Union Light, Heat and Power Company's Responses to the data requests of the Kentucky Public Service Commission Staff in the above-referenced case.

Please date stamp and return the two extra copies in the enclosed, self-addressed envelope.

If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: Hon. Elizabeth Blackford (w/encl.)

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00199
Date Received: June 10 2005
Response Due Date: June 27 2005

KyPSC-DR-01-001

REQUEST:

1. Refer to Section 4(e) of the application which refers to the \$16.1 million net book value of the existing construction/maintenance center at 7200 Industrial Road in Florence, Kentucky. For each of the operations listed below, provide a breakdown of the net book value showing the original cost and accumulated depreciation assigned to each jurisdiction:
 - a. ULH&P's jurisdictional gas operations.
 - b. ULH&P's jurisdictional electric operations.
 - c. ULH&P's non-jurisdictional operations.

RESPONSE:

The \$16.1 million net book value reported in paragraph 4(e) of the Application represents the net book value only of the building itself as of March 2005. The value of the land must also be considered, because ULH&P proposes to sell the land and the building. The net book value of the land as of March 2005 is \$1.1 million, and the net book value of the building and the land as of March 2005 is \$17.2 million. The breakdown of the net book value for both the building and the land, showing the original cost, which includes the purchase price and improvements, and accumulated depreciation assigned to each jurisdiction, is as follows:

	Original Cost	Accumulated Depreciation	Net Book Value
a. ULH&P's jurisdictional gas operations	\$2.1	\$0.7	\$1.4
b. ULH&P's jurisdictional electric operations ¹	\$3.4	\$0.9	\$2.5
c. ULH&P's non-jurisdictional operations	\$18.6 ²	\$5.3	\$13.3
Total:	<u>\$24.1</u>	<u>\$6.9</u>	<u>\$17.2</u>

WITNESS RESPONSIBLE: Lee T. Howe

¹ The portion of the building allocated to jurisdictional electric operations is not included in the electric rate base, because ULH&P has not filed an electric base rate case since this property was purchased.

² This amount represents the original cost of the improvements to renovate part of the building into a trading center. This amount was incorrectly estimated in paragraph 4(c) of the Application as “approximately \$21 million.”

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00199
Date Received: June 10 2005
Response Due Date: June 27 2005

KyPSC-DR-01-002

REQUEST:

2. Refer to Section 5(c) of the application which refers to the projected \$4.1 million net book value of the proposed construction/maintenance center at 1262 Cox Avenue in Erlanger, Kentucky. Provide a breakdown of the \$4.1 million as follows:
- a. ULH&P's jurisdictional gas operations.
 - b. ULH&P's jurisdictional electric operations.
 - c. ULH&P's non-jurisdictional operations.

RESPONSE:

Assuming retrofitting costs of \$2 million (as estimated in paragraph 5(c) of the Application) and ULH&P's option (through July 28th) to purchase the Cox Avenue building for \$2.1 million, the costs would be allocated as follows, using the same 38.13% allocation factor for Gas Operations as reflected in ULH&P's response to AG-DR-01-001:

a.	ULH&P's jurisdictional gas operations:	\$1,563,333
b.	ULH&P's jurisdictional electric operations:	\$2,536,667
c.	ULH&P's non-jurisdictional operations:	<u>0</u>
	Total:	\$4,100,000

WITNESS RESPONSIBLE: Stephen A. Ruehlman

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00199
Date Received: June 10 2005
Response Due Date: June 27 2005

KyPSC-DR-01-003

REQUEST:

3. Refer to Section 7(d) of the application, specifically to ULH&P's commitment to credit customers with the sale proceeds in excess of the current net book value in the event Tri-State Improvement Company ("Tri-State") sells the 7200 Industrial Road facility for a higher price than the price at which ULH&P sells it to Tri-State.
 - a. Provide a detailed description of the methodology ULH&P plans to use to allow customers to receive the credit, or benefit, of the excess sales proceeds.
 - b. The application is silent on ULH&P's intent regarding the impact on customers in the event Tri-State sells the 7200 Industrial Road facility for a price less than ULH&P's selling price to Tri-State. What impact, if any, does ULH&P intend for such an outcome to have on its customers? Explain the response.

RESPONSE:

- a. ULH&P has changed its plan for how it would sell the building. ULH&P now proposes to offer the building and land for sale to the general public, instead of transferring the building to Tri-State. The proceeds from the sale of the building and land will be accounted for as follows: any gain or loss recorded for the non-jurisdictional portion of the property will not be passed on to the customers because the non-jurisdictional portion is not in ULH&P's rate base. If the sale results in a gain recorded for the sale of the portion of the building and land included in jurisdictional operations, the gain will be passed on to the customer through the establishment of a regulatory liability for refund in a future rate case. If the sale results in a loss, the loss would be reflected below-the-line, and ULH&P would not pass on the loss to ULH&P's customers.

If the Commission approves ULH&P's Application in the present case, the portion of the net book value of the Florence building and land reflected in ULH&P's base rates will be eliminated from rate base at the time of ULH&P's next general rate case following the sale of the building.

- b. See response to KyPSC-DR-01-003(a).

WITNESS RESPONSIBLE: Lee T. Howe